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SB 1045: defined contribution; health subsidy; disability

Sponsor: Senator Livingston, LD 22
Committee on Government & Elections

Overview

Outlines the requirements for the Public Safety Personnel Retirement System Defined Contribution Plan (DC plan) and the Corrections Officer Retirement Plan (CORP) to include a group health benefits plan.

History

Current statute requires the Arizona Department of Administration, by rule, to adopt standards to establish group health and accident coverage for former employees who worked for the state of Arizona. This coverage is for former employees who opt on retirement to enroll or continue enrollment in the group health and accident coverage for active employees and who are receiving either income from a state retirement program or long-term disability income benefits. A retired participant of the PSPRS DC plan is allowed to elect to obtain the group health and accident coverage, but must pay the premium for the selected coverage and is not eligible for the health insurance subsidy ([A.R.S. § 38-651.01](#)).

Any member who meets the accidental disability pension requirements must receive a monthly amount that is calculated in the same manner as a normal pension, using the member's average monthly benefit compensation before termination of employment and their actual credited service or 20 years of credited service, whichever is greater.

A member who meets the ordinary disability pension requirements must receive a monthly amount that is equal to a fraction times the member's normal pension if the member had 20 years of credited service. The fraction is obtained by dividing the member's actual years of credited service, not to exceed 20 years, by 20 ([A.R.S. § 38-845](#)).

Provisions

Group Health Benefits Plan

1. Specifies that a retired participant that makes an election pursuant to statute relating to a group health benefits plan is eligible for group health benefits as specified in statute. (Sec. 1)
2. Directs the board to design, establish and administer a group health benefits plan to provide a group health benefits plan as prescribed in statute for PSPRS and CORP retired participants who make such an election. (Sec. 4)
3. Provides that the purpose of this legislation is to provide a group health benefits plan that is fully funded from employer and participant contributions on a current basis. (Sec. 4)
4. Requires the board to subject the account to actuarial analysis and manage the account in an actuarially sound manner. (Sec. 4)
5. Expresses the Legislature's intent that the group health benefits plan for participants constitutes the exercise by the board of an essential governmental function as provided in the

Internal Revenue code and that the created trust is exempt from federal and state income tax. (Sec. 4)

6. Stipulates that any remaining assets, if the board dissolves the trust, must be returned to the employers that contributed in such amounts as the board determines. (Sec. 4)
7. Allows the board to authorize the system to do the following:
 - a) Administer the group health benefits plan;
 - b) Pay costs from the account to the system for administrative expenses; and
 - c) Allocate costs on a pro rata basis. (Sec. 4)
8. Allows the board to adopt any additional provisions that is necessary to fulfill the intent of the group health benefits plan. (Sec. 4)

Member Participation

9. Provides existing participants, for 90 days after the effective date of this legislation, the opportunity to participate in the group health benefits plan by opting in through an irrevocable election to pay the required costs through payroll deduction. (Sec. 4)
10. Authorizes participants who are hired after the effective date, for 90 days after employment, to participate in the group health benefits plan by making an irrevocable election to pay the required costs through payroll deduction. (Sec. 4)
11. Asserts that if a participant fails to make an irrevocable election within the 90-day period, the participant is excluded from receiving any benefits during the participant's retirement and may not again have an election to participate if the person is ever reemployed in a position in which the participant may again participate in the DC plan. (Sec. 4)
12. Stipulates that the group health benefits plan must provide a retired participant who has made the election to participate, if the retired participant:
 - a) Meets the statutorily prescribed requirements of the normal retirement date; and
 - b) Has elected either:
 - i. To participate in the group health and accident coverage or any other retiree health and accident insurance coverage provided or administered by a participating employee; or
 - ii. To purchase individual health care coverage and receive a payment through the retired participant's former employer if that employer assumes the administrative functions associated with payment, including verification that the payment is used to pay for health insurance coverage if it is made to the retired participant. (Sec. 4)

Contributions

13. Requires each employer for a DC plan participant who makes an election for a group health benefits plan to contribute an equal amount for the group health benefits plan payments as determined by actuarial valuations reported by the board to the employer and local board and deposited in a separate account. (Sec. 3)
14. Asserts that monies collected by employers must be deposited in a separate account solely to pay for group health benefits provided and the amounts must be held by the board in trust for the purpose of providing the group health benefits. (Sec. 4)
15. Requires the participant and their employer to pay an equal amount for costs, as actuarially determined, for the group health benefits plan. (Sec. 4)
16. Specifies that the contributions made to the account are separate assets for the purposes of funding the group health benefits and are nonrefundable. (Sec. 4)

17. Instructs each employer to transfer the employer and participant contributions to the board within 10 working days after each payroll date. (Sec. 4)
18. Specifies that any late contributions will include a penalty to be paid by the employer of 10% per year, compounded annually, for each day the contributions are late. (Sec. 4)
19. Permits delinquent payments, together with interest charges, to be recovered by an action in a court of competent jurisdiction against an employer that is liable for the payments, or at the request of the board, may be deducted from other monies, including excise revenue taxes, payable to such an employer by any department or agency of this state. (Sec. 4)

Miscellaneous

20. States that the accidental disability pension for a PSPRS member must be a monthly amount that equals not less than 50% of the member's average monthly benefit compensation. (Sec. 2)
21. Stipulates that the monthly amount for a member who meets the requirements for an ordinary disability pension is equal to a fraction that is obtained by dividing the member's actual years of credited service by the member's required credited service for the applicable normal retirement date. (Sec. 2)
22. Defines *participant*. (Sec. 4)
23. Makes technical and conforming changes. (Sec. 1, 3)
24. Contains a delayed effective date for the sections of legislation relating to the group health benefits plan of July 1, 2022. (Sec. 5)

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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